

Message Text

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PAGE 01 EC BRU 06569 221121Z

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SUBJECT: COMMUNITY'S RAW MATERIALS POLICY: PREPARATIONS FOR
THE COUNCIL OF FOREIGN MINISTERS, JULY 22

REF: EC BRUSSELS 6290

1. BEGIN SUMMARY: THE COMMISSION HAS PRODUCED A SHORT SUMMARY
DOCUMENT OF THE PREVIOUS PAPER ON RAW MATERIALS PREPARED BY THE
EC COMMITTEE OF PERMANENT REPRESENTATIVES (COREPER), WHICH
ATTEMPTS TO MOVE MEMBER STATES TOWARD A COMPROMISE ON RAW
MATERIALS POLICY. PERMREP SOURCES BELIEVE THAT THE
COMMISSION PAPER MAY SERVE AS THE BASIS FOR A VERY
GENERAL COMPROMISE IN THE JULY 22 COUNCIL BETWEEN THE CONFLICTING
MEMBER STATE POSITIONS ON COMMODITY AGREEMENTS AND STABILIZATON
OF EXPORT EARNING REPORTED IN REFTEL. END SUMMARY.

2. AT THE URGING OF PRIME MINISTER WILSON IN THE EUROPEAN COUNCIL,
THE EC COMMISSION PRODUCED ON JULY 18 A SHORT PAPER SYNTHESIZING AND
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PAGE 02 EC BRU 06569 221121Z

SUMMAR-

IZING THE PREVIOUS PAPER PREPARED BY THE COREPER (REFTEL). THE COMMISSION PAPER WAS SIDCUSSED BY A WORKING GROUP AND BY THE COREPER ON JULY 18. THE PAPER SUGGESTS THE OUTLINE OF A COMMUNITY POSITION ON FOUR POINTS:

(A) SPECIFIC COMMODITY AGREEMENTS, (B) STABILIZATION OF EXPORT EARNINGS, (C) DEBT, AND (D) FOOD AID.

3. SOURCES IN PERM REP DELEGATIONS SAY THAT AS A SUMMARY THE PAPER IS NOT PARTICULARLY USEFUL BUT THAT THE JULY 18 PERM REP DISCUSSIONS GAVE THE IMPRESSION THAT ON AT LEAST TWO OF THE ABOVE POINTS (A. AND B.) THE PAPER MAY SERVE AS A GERM FOR RECONCILING THE OPPOSING POSITIONS OF THE MEMBER STATES. THE PAPER IS BEING REVISED UP TO THE LAST MINUTE FOR PRESENTATION TO THE COUNCIL OF FOREIGN MINISTERS AND THERE IS SOME HOPE THAT ON THE TWO POINTS THERE WILL BE AGREEMENT. COPIES OF THE PAPER ARE BING POUCHED TO RPE/CASEY.

4. THE PARAGRAPH ON COMMODITY AGREEMENTS STATES THAT IT IS IN THE INTEREST OF ALL TO AVOID EXCESSIVE FLUCTUATIONS OF RAW MATERIALS PRICES AND TO SEEK LEVELS OF PRICES EQUITABLE FOR CONSUMERS, REMUNERATIVE FOR PRODUCERS AND CALCULATED TO PROMOTE LONG-TERM BALANCE BETWEEN EXPANDING PRODUCTION AND CONSUMPTION. THE KEY SENTENCE IS, ACCORDING TO THE VERY POOR EC ROUGH TRANSLATION WHICH WE HAVE, "THE COMMUNITY ACCORDINGLY DECLARES ITS READINESS TO EXAMINE THE VARIOUS PRODUCTS POSING PROBLEMS FOR THE DEVELOPING COUNTRIES AND THE INSTRUMENTS AND MEANS BY WHICH THESE PROBLEMS COULD BE TACKLED." THE PAPER GOES ON TO SAY THAT THERE IS A WIDE VARIETY OF POSSIBLE INSTRUMENTS, WHICH COULD EVEN POSSIBLY BE COMBINED, AND THAT THE CHOICE OF INSTRUMENTS WOULD DEPEND UPON THE CONCRETE CASES BUT THAT SOLUTIONS OF THIS KIND SHOULD ALSO FAVOR STABILITY OF SUPPLY. ACCORDING TO OUR SOURCES THE USE OF THE TERM "PRODUCTS POSING PROBLEMS FOR THE DEVELOPING COUNTRIES" IS HALF-WAY BETWEEN THE SCEPTICAL GERMAN POSITION AND THE MORE RECEPTIVE POSITION OF THE OTHER MEMBER STATES TOWARD COMMODITY AGREEMENTS (PARAGRAPH 5, REFTTEL).

5. THE PARAGRAPH ON STABILIZATION OF EXPORT EARNINGS STATES THAT THE COMMUNITY RECOGNIZES "THE SERIOUSNESS OF THE PROBLEMS CREATED BY THE INSTABILITY OF THE EARNINGS OF THE LIMITED OFFICIAL USE

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PAGE 03 EC BRU 06569 221121Z

RAW MATERIALS EXPORTING DEVELOPING COUNTRIES." TO MEET THESE PROBLEMS THE COMMUNITY AND ITS MEMBER STATES UNDERTAKE TO PROMOTE:

"- IMPROVEMENT OF THE INTERNATIONAL MONETARY FUND'S COMPENSATORY FINANCING ARRANGEMENTS FOR THE BENEFIT OF THE RAW MATERIALS PRODUCING DEVELOPING COUNTRIES,

"- INSTITUTION OF SPECIFIC MEASURES FOR THE BENEFIT OF THE POOREST DEVELOPING COUNTRIES TO APPLY IN THE EVENT OF A

FALL IN EXPORT EARNINGS ON A PRODUCT OR A RANGE OF PRODUCTS..."

OUR SOURCE SEES THE ELEMENTS OF A COMPROMISE HERE IN THAT THIS FORMULATION WOULD NOT PROVIDE AN AUTOMATIC RECOMPENSE IN THE CASE OF A FALL IN EXPORT EARNINGS BUT WOULD REQUIRE TAKING INTO ACCOUNT THE GENERAL BALANCE OF PAYMENTS POSITION OF THE LDCS CONCERNED. THUS IT MEETS SOME OF THE GERMAN AND BRITISH OBJECTIONS TO AN AUTOMATIC ARRANGEMENT BUT IT MAY SATISFY THE MORE LIBERAL-MINDED NETHERLANDS (PARAGRAPH 4, REFTEL).

6. THE PARAGRAPH N DEBT WOULD HAVE THE COMMUNITY AND MEMBER STATES "STRESS THE IMPORTANCE OF THE TRANSFER OF FINANCIAL RESOURCES IN THE FRAMEWORK OF A BALANCED OVERALL APPROACH." OUR SOURCE DOUBTS THAT THIS WILL RESULT IN ANY COMPROMISE AT THE COUNCIL OF MINISTERS AND BELIEVES THAT WHAT WILL EMERGE WILL PROBABLY BE A LOWEST COMMON DENOMINATOR APPROACH MORE TOWARD THE UK END OF THE SPECTRUM THAN TOWARD THAT OF THE DUTCH, WHO ARE SEEKING A BINDING CODE OF CONDUCT. OBJECTIONS TO A FORMULA ON DEBT REST TO A LARGE EXTENT ON THE FACT THAT THE MOST HEAVILY DEBT-RIDDEN OF THE LDCS ARE NOT NECESSARILY THE POOREST.

7. THE PARAGRAPH ON FOOD AID WOULD HAVE THE COMMUNITY PLEDGE TO STEP UP ITS FOOD AID AND COMMIT ITSELF TO PARTICIPATE IN THE INTERNATIONAL AGRICULTURAL DEVELOPMENT FUND. THOUGH THE UK FAVORS SUCH A COMMITMENT, OUR SOURCE DOUBTS THAT THE FRENCH, GERMANS OR ITALIANS WILL AGREE. CONSEQUENTLY THE COUNCIL MAY BE FORCED BACK TO SOME FORMULATION SUCH AS "CONTINUE OUR ACTION IN THE FIELD OF FOOD AID," LEAVING THIS ISSUE TO BE FOUGHT OUT IN SUBSEQUENT MEETINGS IN THE FALL. GREENWALD

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